

Senate File 414 - Introduced

SENATE FILE _____
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO SF 218)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act concerning the licensure, operation, and taxation of card
2 game tournaments by organizations representing veterans and
3 allowable prizes at annual game nights by certain qualified
4 organizations.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

6 TLSB 1815SV 82

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1 1 Section 1. NEW SECTION. 99B.7B CARD GAME TOURNAMENTS
1 2 CONDUCTED BY QUALIFIED ORGANIZATIONS REPRESENTING VETERANS.
1 3 1. As used in this section, unless the context otherwise
1 4 requires:
1 5 a. "Card game" means only poker, pinochle, pitch, gin
1 6 rummy, bridge, euchre, hearts, or cribbage.
1 7 b. "Qualified organization representing veterans" means
1 8 any licensed organization representing veterans, which is a
1 9 post, branch, or chapter of a national association of veterans
1 10 of the armed forces of the United States which is a federally
1 11 chartered corporation, dedicates the net receipts of a game of
1 12 skill, game of chance, or raffle as provided in section 99B.7,
1 13 is exempt from federal income taxes under section 501(c)(19)
1 14 of the Internal Revenue Code as defined in section 422.3, has
1 15 an active membership of not less than twelve persons, and does
1 16 not have a self-perpetuating governing body and officers.
1 17 2. Notwithstanding any provision of this chapter to the
1 18 contrary, card game tournaments lawfully may be conducted by a
1 19 qualified organization representing veterans if all of the
1 20 following are complied with:
1 21 a. The organization conducting the card game tournament
1 22 has been issued a license pursuant to subsection 4 and
1 23 prominently displays that license in the playing area of the
1 24 card game tournament.
1 25 b. The card games to be conducted during a card game
1 26 tournament, including the rules of each card game and how
1 27 winners are determined, shall be displayed prominently in the
1 28 playing area of the card game tournament. Each card game
1 29 shall be conducted in a fair and honest manner and shall not
1 30 be operated on a build-up or pyramid basis. Every participant
1 31 in a card game tournament must be given the same chances of
1 32 winning the tournament and shall not be allowed any second
1 33 chance entries or multiple entries in the card game
1 34 tournament.
1 35 c. Participation in a card game tournament conducted by a
2 1 qualified organization representing veterans shall only be
2 2 open to members of the qualified organization representing
2 3 veterans and guests of members of the qualified organization
2 4 participating in the tournament. The cost to participate in a
2 5 card game tournament shall be limited to one hundred dollars
2 6 and shall be the same for every participant in the card game
2 7 tournament. Participants in a card game tournament shall be
2 8 at least twenty-one years of age.
2 9 d. Cash or merchandise prizes may be awarded during a card
2 10 game tournament and shall not exceed one thousand dollars and
2 11 no participant shall win more than a total of five hundred
2 12 dollars. A qualified organization representing veterans shall
2 13 distribute amounts awarded as prizes on the day they are won
2 14 and merchandise prizes shall not be repurchased. An
2 15 organization conducting a card game tournament shall only
2 16 display prizes in the playing area of the card game tournament

2 17 that can be won.

2 18 e. The qualified organization representing veterans shall
2 19 conduct each card game tournament and any card game conducted
2 20 during the tournament and shall not contract with or permit
2 21 another person to conduct the card game tournament or any card
2 22 game during the tournament.

2 23 f. No person receives or has any fixed or contingent right
2 24 to receive, directly or indirectly, any profit, remuneration,
2 25 or compensation from or related to a game in a card game
2 26 tournament, except any amount which the person may win as a
2 27 participant on the same basis as the other participants.

2 28 g. A qualified organization representing veterans licensed
2 29 under this section shall not hold more than one card game
2 30 tournament per week. Card game tournaments held under an
2 31 annual game night license shall not count toward the limit of
2 32 one card game tournament per week for a license holder. A
2 33 qualified organization representing veterans shall be allowed
2 34 to hold only one card game tournament during any period of
2 35 twenty-four consecutive hours, starting from the time the card
3 1 game tournament begins.

3 2 h. At the conclusion of each card game tournament, the
3 3 person conducting the card game tournament shall announce the
3 4 gross receipts received, the total amount of money withheld
3 5 for expenses, and the amount withheld for state taxes.

3 6 i. The person conducting the card game tournament does
3 7 none of the following:

3 8 (1) Hold, currently, another license issued under this
3 9 section.

3 10 (2) Own or control, directly or indirectly, any class of
3 11 stock of another person who has been issued a license to
3 12 conduct games under this section.

3 13 (3) Have, directly or indirectly, an interest in the
3 14 ownership or profits of another person who has been issued a
3 15 license to conduct games under this section.

3 16 3. The qualified organization representing veterans
3 17 licensed to hold card game tournaments under this section
3 18 shall keep a journal of all dates of events, amount of gross
3 19 receipts, amount given out as prizes, expenses, amount
3 20 collected for taxes, and the amount collected as revenue.

3 21 a. The qualified organization representing veterans shall
3 22 dedicate and distribute the net receipts from each card game
3 23 tournament as provided in section 99B.7, subsection 3,
3 24 paragraph "b".

3 25 b. Each qualified organization representing veterans shall
3 26 withhold that portion of the gross receipts subject to
3 27 taxation pursuant to section 423.2, subsection 4, which shall
3 28 be kept in a separate account and sent to the state along with
3 29 the organization's quarterly report.

3 30 c. A qualified organization representing veterans licensed
3 31 to conduct card game tournaments is allowed to withhold no
3 32 more than five percent of the gross receipts from each card
3 33 game tournament for qualified expenses. Qualified expenses
3 34 include but are not limited to the purchase of supplies and
3 35 materials used in conducting card games. Any money collected
4 1 for expenses and not used by the end of the calendar year
4 2 shall be donated for educational, civic, public, charitable,
4 3 patriotic, or religious uses as described in section 99B.7,
4 4 subsection 3, paragraph "b". The qualified organization
4 5 representing veterans shall attach a receipt for any donation
4 6 made to the fourth quarter quarterly report required to be
4 7 submitted pursuant to section 99B.2.

4 8 d. Each qualified organization representing veterans
4 9 licensed under this section shall make recordkeeping and all
4 10 deposit receipts available as provided in section 99B.2,
4 11 subsection 2.

4 12 4. An organization wishing to conduct card game
4 13 tournaments pursuant to this section as a qualified
4 14 organization representing veterans shall submit an application
4 15 and annual license fee of one hundred dollars to the
4 16 department.

4 17 Sec. 2. Section 99B.8, subsection 1, unnumbered paragraph
4 18 1, Code 2007, is amended to read as follows:

4 19 Games of skill, games of chance, and card games lawfully
4 20 may be conducted during a period of twelve consecutive hours
4 21 within a period of twenty-four consecutive hours once each
4 22 year by any person. The games may be conducted at any
4 23 location except one for which a license is required pursuant
4 24 to section 99B.3 or section 99B.5, but only if all of the
4 25 following are complied with:

4 26 Sec. 3. Section 99B.8, Code 2007, is amended by adding the
4 27 following new subsection:

4 28 NEW SUBSECTION. 6. a. Notwithstanding any provision of
4 29 section 99B.7 to the contrary, if the games are conducted by
4 30 an eligible qualified organization issued a license pursuant
4 31 to subsection 3, the sponsor may award cash or merchandise
4 32 prizes in any game of skill, game of chance, or card game
4 33 lawfully conducted during the annual game night in an amount
4 34 not to exceed ten thousand dollars and no participant shall
4 35 win more than a total of five thousand dollars.

5 1 b. For purposes of this subsection, an "eligible qualified
5 2 organization" means any of the following:

5 3 (1) A qualified organization representing veterans as
5 4 defined in section 99B.7B.

5 5 (2) A qualified organization that represents volunteer
5 6 emergency services providers as defined in section 100B.31.

5 7 (3) A qualified organization that is exempt from federal
5 8 income tax under section 501(c)(3) of the Internal Revenue
5 9 Code and that has conducted an annual game night during the
5 10 period beginning January 1, 2001, and ending December 31,
5 11 2006.

5 12 Sec. 4. Section 99B.9, subsection 1, unnumbered paragraph
5 13 1, Code 2007, is amended to read as follows:

5 14 Except as otherwise permitted by section 99B.3, 99B.5,
5 15 99B.6, 99B.7, 99B.7B, 99B.8, 99B.11, or 99B.12A, it is
5 16 unlawful to permit gambling on any premises owned, leased,
5 17 rented, or otherwise occupied by a person other than a
5 18 government, governmental agency, or governmental subdivision,
5 19 unless all of the following are complied with:

5 20 Sec. 5. Section 99B.12, subsection 1, unnumbered paragraph
5 21 1, Code 2007, is amended to read as follows:

5 22 Except in instances where because of the location of the
5 23 game or the circumstances of the game section 99B.3, section
5 24 99B.5, section 99B.6, section 99B.7, section 99B.7B, section
5 25 99B.8, or section 99B.9 is applicable, individuals may
5 26 participate in gambling specified in subsection 2, but only if
5 27 all of the following are complied with:

5 28 Sec. 6. Section 423.2, subsection 4, Code 2007, is amended
5 29 to read as follows:

5 30 4. A tax of five percent is imposed upon the sales price
5 31 derived from the operation of all forms of amusement devices
5 32 and games of skill, games of chance, raffles, and bingo games
5 33 as defined in chapter 99B, and card game tournaments conducted
5 34 under section 99B.7B, that are operated or conducted within
5 35 the state, the tax to be collected from the operator in the
6 1 same manner as for the collection of taxes upon the sales
6 2 price of tickets or admission as provided in this section.
6 3 Nothing in this subsection shall legalize any games of skill
6 4 or chance or slot-operated devices which are now prohibited by
6 5 law.

6 6 The tax imposed under this subsection covers the total
6 7 amount from the operation of games of skill, games of chance,
6 8 raffles, and bingo games as defined in chapter 99B, card game
6 9 tournaments conducted under section 99B.7B, and musical
6 10 devices, weighing machines, shooting galleries, billiard and
6 11 pool tables, bowling alleys, pinball machines, slot-operated
6 12 devices selling merchandise not subject to the general sales
6 13 taxes and on the total amount from devices or systems where
6 14 prizes are in any manner awarded to patrons and upon the
6 15 receipts from fees charged for participation in any game or
6 16 other form of amusement, and generally upon the sales price
6 17 from any source of amusement operated for profit, not
6 18 specified in this section, and upon the sales price from which
6 19 tax is not collected for tickets or admission, but tax shall
6 20 not be imposed upon any activity exempt from sales tax under
6 21 section 423.3, subsection 78. Every person receiving any
6 22 sales price from the sources described in this section is
6 23 subject to all provisions of this subchapter relating to
6 24 retail sales tax and other provisions of this chapter as
6 25 applicable.

6 26 EXPLANATION

6 27 This bill provides for the operation of card game
6 28 tournaments by qualified organizations representing veterans
6 29 and allowable prizes at annual game nights conducted by
6 30 certain authorized organizations.

6 31 The bill establishes new Code section 99B.7B, providing for
6 32 card game tournaments conducted by a qualified organization
6 33 representing veterans. The bill defines "card game" to mean
6 34 only poker, pinochle, pitch, gin rummy, bridge, euchre,
6 35 hearts, or cribbage. The bill provides that only qualified
7 1 organizations representing veterans can conduct a card game
7 2 tournament and provides for a \$100 annual license fee. The
7 3 bill requires the organization to display the card games to be

7 4 conducted during a tournament, including the rules and manner
7 5 of determining winners for each game. The bill provides that
7 6 participation in a tournament shall be open to members and
7 7 guests of the qualified organization and the cost to
7 8 participate shall not be more than \$100. A person under age
7 9 21 cannot participate.

7 10 The bill provides that cash or merchandise of up to \$1,000
7 11 can be awarded at a tournament and no participant shall win
7 12 more than a total of \$500. The bill also provides that an
7 13 organization holding a license can hold no more than one
7 14 tournament a week and only one tournament can be conducted by
7 15 a qualified organization in any 24-hour period. Card game
7 16 tournaments held under an annual game night license shall not
7 17 count toward the number of tournaments allowed. The bill also
7 18 provides that the qualified organization licensed to conduct
7 19 card game tournaments shall keep records of the dates of
7 20 events, the amount of gross receipts, the amount of prizes
7 21 awarded, expenses, amount collected for taxes, and revenue
7 22 collected for conducting card game tournaments. The bill
7 23 requires qualified organizations to collect at least 10
7 24 percent of gross receipts collected from each event as revenue
7 25 and to withhold no more than 5 percent of gross receipts for
7 26 expenses incurred in holding card game tournaments. Of the
7 27 amount withheld for expenses, any amounts collected but unused
7 28 for expenses by the end of a calendar year shall be donated
7 29 for charitable purposes. Any amounts donated shall be
7 30 indicated on the quarterly reports required to be submitted to
7 31 the department of inspection and appeals pursuant to Code
7 32 section 99B.2.

7 33 Code section 99B.8, concerning annual game nights, is also
7 34 amended to allow certain eligible qualified organizations to
7 35 award cash or merchandise prizes of up to a total of \$10,000
8 1 with no more than \$5,000 awarded to any participant. The bill
8 2 defines eligible qualified organizations as a qualified
8 3 organization representing veterans, a qualified organization
8 4 representing volunteer emergency services providers, and a
8 5 qualified organization exempt from federal taxes under section
8 6 501(c)(3) of the Internal Revenue Code that has held a game
8 7 night between January 1, 2001, and December 31, 2006.

8 8 The bill further amends Code section 423.2, concerning
8 9 sales taxes, to specifically provide that sales taxes shall be
8 10 imposed on card game tournaments in the same manner as for
8 11 other games as defined in Code chapter 99B.

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8 13 ec:nh/es/88